

Financial Planning- general notes for talking points

Neighborhood Associations – Overview

Each year at the annual meeting, elections are held. The treasurer agrees to keep the records. These records can vary from extremely detailed to simple. With most treasure's it's the simple that wins out. We let the treasurer do what he/she wants. It's hard to have expectations on a volunteer. However, there are some ways you can make the job for the treasurer easier. Spreadsheets help, tracking helps, support in other ways.

Definition of Treasurer: - who administers all monies and assets of the association and all financial records and files for the association, and regularly provides an oral or written financial report to the association.

The responsibility of the financials falls upon the executive committee working with the treasurer. Since most of the neighborhood associations do not do IRS reporting because of they are under the \$25,000 required for a 990. Yet each board meeting has a report from the treasurer. In our association we generally just hear an amount that we have in the bank. Sometimes there is a general report of expenses and income. With any major expense, the board votes before the expense is reported. In our bylaws we have regulations on what the treasurer can do and what must be voted upon by the board.

Details:

Obtain a Tax Identification Number

A tax identification number is a federal tax number that is filed with the Internal Revenue Service. The number enables the bank to report the earnings of the association's account to the IRS for tax filing purposes. You can get an ID number from the IRS.

If you don't have a tax ID number or feel that it is not necessary, you can open an account with a member's personal Social Security number. Often the secretary will use his/her number. The person whose number is being used is liable for paying taxes on the interest income reported by the bank to the IRS. This means that the money in the account is considered the personal money of the ID holder and taxes must be paid as if it is additional income. Also, if there is ever a lien against the person's assets, those monies are considered personal property and can be assessed.

Obtain Information on Fees and Charges

Over the course of time, every neighborhood association accumulates money for one reason or another. The association needs a management system in place for dealing with these funds. What kind of bank account should be opened and how do you go about opening an account for your organization? Either a person or a corporation can

open a bank account. If your association is incorporated and you also have nonprofit status, you may be eligible to receive free banking privileges at some banks.

Tip: Run your neighborhood association like a business; open a bank account.

Research the fees and charges assessed at different banks and credit unions. Some have better programs than others. Banks may waive service charges to organizations that provide necessary public service. The decision to waive the charge is at the discretion of the individual bank. If you are not a nonprofit organization and are eligible for a nonprofit account, there may be no charge for the service the bank is offering. You, however, must take the type of account offered by the bank.

If you are a nonprofit corporation, you must bring a copy of the Articles of Incorporation stamped, "Filed" by the Division of Corporations. If you are not a corporation, bring a copy of your bylaws or minutes of your first meeting. You must also state the names and titles of people who are authorized to conduct business for the organization. Personal identification, such as a driver's license, credit cards or a passport, is required to open any type of account.

The secretary of your neighborhood association along with anyone else who will be signing on the account must sign signature cards. You will then also need a director's signature (an officer of the corporation or a designated director).

Tip: You may wish to limit the number of signatures that may appear on the checks for the purpose of accountability.

The bank will provide a card with wording for a resolution authorizing the bank account. The resolution must be adopted by the board of the nonprofit organization or the members of an unincorporated association. If you pay for an account, you can choose any account you would like, depending on your needs.

The different types of accounts available for your association to choose from:

- **Checking:**
Any checking accounts open to individual customers are open to neighborhood associations. The least expensive usually have minimum deposit requirements. Your association should obtain pre-numbered checks. The use of non-numbered checks is not an acceptable practice for neighborhood associations.
- **Savings:**
If you make limited withdrawals, you might be better off with a savings account rather than a checking account. The best arrangement is often a saving account with checking privileges. These, however, usually require a minimum balance.

Tip: There are two things to consider when determining the type of bank account for neighborhood association:

- How often you will withdraw money.

- The amount of money you have.

Consider whether your association will have enough money to keep a minimum balance in your account or will have to pay service fees, if any.

Experiences in neighborhood associations:

Revenue comes in various ways. We have membership dues and it is tracked by a spreadsheet. **I have a sample of that available.** We have a form that each person must fill out saying if they are a renewed member or a new member. Discuss form.

Revenue also comes from our newsletter. We have a Communications Committee that supervises the income and expenses for this and reports it on a spreadsheet to the full board. **See attached spreadsheet for ad revenue.** Our committee votes upon who does the graphic design, who prints the newsletter, etc. Bids are generally received from at least two vendors. A report is taken from with revenue from the ad sales and then the expenses of graphic design and printing are posted. Sometimes we break even, sometimes we have a small profit, and occasionally we lose a small amount of money. We do this twice per year. Samples –

Revenue also comes from sales. We have had tshirts in the past, notecards, and now eco bags. These are charged sales tax and we fill out the Sales and Use tax for the Kentucky Revenue Cabinet. We haven't been particularly successful with our sales so the reporting is not a major deal.

Expenses are minimal

Post office box

Arbor Day contribution

Refreshments on rare occasions

Printing

Graphic Design for newsletter

Dues for other larger organizations

Bylaws (bring sampe)

Article VIII. Finance

Section 1. The funds of the association shall be deposited in such bank or other financial institution as the Neighborhood Council shall designate, and shall be withdrawn only upon checks, drafts or order of the association signed by the treasurer or other designated officer.

Section 2. The Neighborhood Council shall ratify any expenditure of greater than \$100.00. A special exemption is allowed for ordinary expenditures related to the operation of the neighborhood newsletter.

Organizations accomplish their objectives through the dedicated work of committees. The tasks and the types of committees depend on the overall purpose and structure of your neighborhood association. The types of committees can generally be divided into two major categories:

Internal Affairs

- Fund-raising/finance
- Meeting Arrangements
- Communications/Publicity
- Bylaws
- Social Events

Neighborhood Affairs

- Housing Conditions
- Police-Neighborhood Relations
- Economic Development
- Neighborhood Maintenance
- Community Services and Resources
- Traffic Safety

Tip: To maintain active, productive, motivated members on the committees

- Encourage members to participate in the association and the committee planning process.
- Define and discuss the goals and objectives of the committee.
- Provide reasons for the actions to be considered by the committee and the neighborhood association.
- Give recognition to members and committees who have contributed to the advancement of the neighborhood association.
- Make meeting time and committee work as productive as possible. No one wants to feel they are wasting time.
- Help members develop communication skills.

Better Business Standards:
Will have copies.